



COMPANIES: Esquel Group
COUNTRY: Sri Lanka
ASSESSMENT DATE: 10/14/16
ASSESSOR: FLA EMEA
PRODUCTS: Apparel
NUMBER OF WORKERS: 1152

FLA Comments

Effective from 2016, Esquel as a group has decided to move towards localization at Malaysia. Foreign/migrant workers are no longer recruited effective from 2016. In fact, the last recruitment request to the agent in Nepal was in 2015 and Esquel Malaysia paid for the full recruitment charges. The existing foreign employees are maintained until the end of the employment contract or if the employees wish to terminate their services, then, repatriation occurs. Based on the current repatriation timeline, by end of 2020 all the foreign employees would have been repatriated.

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Violations
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Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Review Process (Macro)

Finding Explanation

The factory does not have a defined period to review and revise the internal policy and procedures for any of the Employment Functions. The existing policies and procedures are only reviewed when there is a change in local law. The last revision of any policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded on the revised policy and procedures.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.29, ER.30, and ER.31)

Root Causes

1. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.
2. The factory management lacks knowledge of the FLA Code and Benchmark requirements.
3. The development and revision of policy and procedures are done by one management representative without consulting worker and/or union representatives.
4. There is not a clear procedure on how often and in what manner to communicate with workers on these issues.

FLA's Recommendations for Sustainable Improvements

1. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to

- those currently conducted by local management for Health & Safety.
2. Consult with the FLA to organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
 3. Include worker and/or union representatives in the development of policy and procedure and the revision of communication procedures.
 4. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

FINDING NO.2

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Communication & Worker Involvement (Macro)

Finding Explanation

The factory only sometimes communicates with workers the policies and procedures and their updates on the following Employment Functions: Recruitment, Hiring & Personnel Development, Hours of Work, Industrial Relations, Workplace Conduct & Discipline, Termination, Grievance System, and Health & Safety. As the factory does not have any policies or procedures for Retrenchment and Environmental Protection, it does not communicate with workers regarding these Employment Functions.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.16, ER.25 ER.29, ER.30, and ER.31)

Root Causes

1. There is an absence of an effective internal audit system.
2. There is a lack of knowledge on FLA Code and benchmark requirements.
3. The factory has a busy production schedule which leads to continuous overtime work and lack of time for communication and training.
4. Management makes assumptions on the effectiveness of some communication channels, e.g., letters or the use of announcement boards, which are not sufficient for workers to understand factory policies and procedures.
5. There is not a clear procedure on how often and in what manner to communicate with workers on these issues.
6. There is not an effective worker committee and/or union representation within the factory.

FLA's Recommendations for Sustainable Improvements

1. Review the internal audit system in place, at both the group and factory level, to ensure periodic labor audits take place.
2. Consult with the FLA to organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
3. Include worker and/or union representatives in the development of policy and procedure and the revision of communication procedures.
4. Eliminate regular overtime work and ensure there is more time for communication with workers.
5. Do not rely only on written communication channels.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

1. Review the internal audit system in place, at both the group and factory level, to ensure periodic labor audits take place.
2. Consult with the FLA to organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
3. Include worker and/or union representatives in the development of policy and procedure and the revision of communication procedures.
4. Eliminate regular overtime work and ensure there is more time for communication with workers.
5. Do not rely only on written communication channels.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3.2, ER.5.7, and ER.10; Nondiscrimination Benchmark ND.2; Compensation Benchmark C.3)

Root Causes

1. The factory does not have an effective internal audit system in place, especially for labor related issues. Although the factory has

conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety.

2. The HR staff responsible for recruitment assumed that all workers could read and write Sinhalese.

3. The six-month probation period and age limits for certain jobs are in line with local law requirements.

4. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.

5. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and Environment, Health & Safety (EHS) issues.

6. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Recruitment & Hiring policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded.

Recommendations for Immediate Action

1. Provide the six Tamil workers who cannot read or write Sinhalese with employment contracts in Tamil.

2. Limit the probation period to three months, as per FLA Code.

3. Remove any age limits in the factory's internal procedures for all types of employment.

FLA's Recommendations for Sustainable Improvements

1. Review the internal audit system in place, at both the group and factory level, to ensure periodic labor audits take place similar to the EHS audits that are currently conducted by local factory management.

2. Review and simplify the existing recruitment procedure to ensure there are clear steps on checking the literacy level of workers during the recruitment process and what to do when employing an illiterate candidate.

3. Revise the sections in the factory's recruitment policy ("personal administration policy") on six-month to one-year probation and age limit for fixed-term contract workers – sections 5.5.PTX.02.02.01 and 5.5.PTX.02.03.021 respectively – to be in line with the FLA Code.

4. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.

5. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

FINDING NO.4

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. It was not clear if management had paid the Budgetary Relief Allowance payment for May 2015 in line with local law. Management stated they had paid workers the Budgetary Relief Allowance in conjunction with a raise. However, management was not able to provide an official letter from the Commissioner of Labor confirming this practice of paying the Budgetary Relief Allowance is acceptable.

2. Before festival advances are made, the factory asks workers to assign a senior worker to be a guarantor who is held responsible if the worker who receives the advance leaves the factory after the festival. According to this procedure, a worker with five years or more of seniority can be a guarantor for three workers while a worker with one to five years of seniority can be a guarantor for two workers (5.5.PTX.02.04.03.03). In the event a worker who has received an advance payment does not return to work after the festival holiday, the factory deducts the amount of the payment from the guarantor's salary.

3. The format of the pay slip is complicated and does not include clear explanations of gross and net payments. Furthermore, the headers of the pay slip are in English and not in the local language. Management stated that there are plans in place to offer the pay slips in the local language of all workers.

4. The factory has provided electronic terminals to allow workers to check their individual working hours and compensation details; however, the terminals do not have a local language option. Their current language selections are limited to Chinese, Vietnamese and English. Furthermore, the terminals are located in hallways outside the production areas and are therefore not isolated, allowing bystanders to see workers' information.

Local Law or Code Requirement

Budgetary Relief Allowance of Workers Act, No. 4 of 2016, Section 10; FLA Workplace Code (Compensation Benchmarks C.1, C.12, and C.14)

Root Causes

1. The factory has requested guarantors for workers' festival advances for a long time without any issues. Although it is not implemented widely in the textile industry, it is not against local law and the spirit of this practice is to protect the factory from workers potentially leaving the factory after receiving this advance payment.

2. The pay slip format has been in use for a long time and management has not received any complaints from either the union or the workers. However, management has decided to offer the pay slips in the local language in light of their own investigation.

3. The electronic terminals for the workers which allow them to check their individual working hours and compensation details is considered a good practice as there is no such legal requirement to provide them. This practice is common in other affiliate owned

factories and these devices and software are copied from those other factories in China and Vietnam; therefore, local management has not had the chance to work on translation and adaptation of this system for Sri Lankan factories.

4. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.

5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code.

6. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.

7. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Compensation policy and procedures was in 2014. It is not clear what revisions were made as revisions were not recorded.

Recommendations for Immediate Action

Pay the Budgetary Relief Allowance payment from May 2015 in line with local law. Management needs to seek an official letter from the Commissioner of Labor confirming their payment practice is legally acceptable.

FLA's Recommendations for Sustainable Improvements

1. Revise procedure (5.5.PTX.02.04.03.03) to remove the requirement of guarantors for festival advance payments and implement standard industry practice for festival advance payments: giving workers 1-3 months' wages as an advance which is then deducted gradually in equal installments over the course of a year.
2. Simplify the pay slip format to have clear explanations on gross and net payments, working hours, and deductions. Change the language of the pay slips to one(s) that all workers can understand.
3. Update the software on the electronic terminals to provide language support for all workers. Place terminals in kiosks to provide workers with privacy when viewing their personal information.
4. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
5. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA code and benchmark requirements.
6. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

FINDING NO.5

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. It was observed that approximately 15 workers were performing catch-up work during the break and/or before and after regular working hours.
2. Monday through Friday, the factory works on single shift which starts at 8:00 AM and ends at 4:20 PM with regular overtime until 6:20 PM. On Saturdays, more than 5.5 hours of work is considered overtime. Although weekly working hours of the sampled workers is less than 60 hours per week, all sampled workers perform overtime work on a regular basis (February and March 2016 were the only exceptions, as there was an industrial action). The average overtime hours for each department is as follows:
 1. Workers in the sewing section work an average of 30 hours of overtime per month with a maximum of 34 hours in May 2016;
 2. Workers in Quality Control work an average of 28.8 hours of overtime per month with a maximum of 32.75 hours in May 2016;
 3. Workers in the ironing section work an average of 28.8 hours of overtime per month with a maximum of 32.46 hours in May 2016;
 4. Workers in the packing section work an average of 26.98 hours of overtime per month with a maximum of 31.25 hours in May 2016.
3. The factory factors workers' overtime into their performance evaluations; therefore, if a worker does not work overtime, their performance score will decrease.
4. The factory does not offer any special protection to pregnant workers regarding working-hour arrangements and therefore they work the same hours, including overtime, as regular workers. Furthermore, the existing timekeeping system does not automatically identify pregnant and lactating women.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.24; Nondiscrimination Benchmark ND.8.1.1; Hours of Work Benchmarks HOW.1 and HOW.5)

Root Causes

1. The factory has a performance-based bonus system based on the line's performance. If workers fall behind on their individual production targets, it affects the performance figures, and therefore bonus, of the whole line. As a result, this pressures workers to stay and work during break hours and/or before and after regular working hours.
2. Management lacks knowledge of FLA's requirement regarding regular overtime work; they thought that complying with the hours limits

(of both the FLA and local law) would be sufficient.

3. Workers heavily rely on extra income generated from overtime work.

4. Since regular overtime work is a reality for this factory, capacity calculations always include overtime; therefore, overtime is necessary for the on-time delivery of orders.

5. Local law does not require any special protection measures on the working hour arrangements of pregnant workers.

6. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.

7. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.

8. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.

9. The factory does not have a defined period to review and revise internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revisions of the Hours of Work policy and procedures was in 2014. It is not clear what kind of revisions were made as the revisions were not recorded.

Recommendations for Immediate Action

1. Ensure that workers do not work during breaks or outside of regular working hours. It is recommended to cut off illumination and the power to the production lines during breaks and outside of regular working hours.

2. Ensure that overtime is not requested or performed on a regular basis and overtime does not factor into a worker's performance evaluation score.

FLA's Recommendations for Sustainable Improvements

1. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.

2. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements

3. Commission an impartial expert organization to analyze the performance evaluation system and make any necessary revisions. Do not include overtime work as part of workers' performance evaluations as it's a voluntary extra work that performed after regular hours.

4. After careful review of the current performance evaluation system, find ways to encourage improvement of workers' individual performance and incentivize gains to increase production output during regular hours by increasing workers' incomes without overtime work.

5. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation. Changes made to the Hours of Work policy and procedures must ensure that overtime work is consensual and not regularly requested, even if it is in line with local law.

6. Do not include overtime work in the capacity calculations of production volume.

7. Make arrangements for special protection of women workers who are more than seven months pregnant through working hours, as it is standard industry practice.

8. Revise timekeeping system to ensure that the working hours of pregnant and lactating women are captured and tracked.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Termination & Retrenchment

Finding Explanation

1. The factory has a compulsory retirement age of 55 years for all workers. Any worker who wants to continue working after the age of 55 must apply for management's approval (Personal Administration Policy 5.5.PTX.02.14.04).

2. There are no written procedures on Termination & Retrenchment except for procedures regarding resignation; the factory does have some unwritten procedures to manage Termination & Retrenchment.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.1 ER.19, and ER.32; Nondiscrimination Benchmarks ND.1 and ND.2)

Root Causes

1. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.

2. Management had confused "statutory" and "compulsory" retirement age concepts. Sri Lanka is does not have a "compulsory" retirement age which means workers can continue working after that age.

3. Since factory management has not experienced any retrenchment cases in the past and business is continuous, they did not think a Retrenchment procedure was necessary.

4. Most employment terminations that have taken place in recent years were resignations rather than dismissals by factory management. Therefore, management did not think it was necessary to have a detailed procedure on Termination
5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
6. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.
7. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Termination & Retrenchment policy and procedures was in 2014. It is not clear what revisions were made as revisions were not recorded.

FLA's Recommendations for Sustainable Improvements

1. Remove the compulsory retirement age from the Personal Administration Policy 5.5.PTX.02.14.04.
2. Create written policy and procedures on Retrenchment and revise the Termination procedures to ensure that it covers all steps to be followed in the termination process.
3. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
4. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
5. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

FINDING NO.7

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

1. Based on workers feedback during the assessment there were several major concerns raised by the workforce related to management-workers communication and providing feedback to the management.
2. There are also issues related to union and management interaction especially pertaining to the dismissal and requested reinstatement of 28 workers as a result of an industrial action.
3. Additional concerns from the workforce included perceived unreasonable daily production targets, hours of work for pregnant workers and less than satisfactory hygienic conditions.
4. In addition to above listed points, assessors received three complaint letters from workers as part of the survey. All three letters were about the aforementioned dismissals, asking for reinstatement; one of the three commented on management's pressure on union members to resign from the union. Because the complaint does not contain any specific details on how management actually violated the FOA rights of the workers, the FLA did not consider an official Third-Party Complaint.
5. It has been more than three years since the factory's policy and procedures on Freedom of Association was revised. The following issues were observed:
 - a. Scope of the policy and procedures is limited with "in-house labor union" and it's not clear what that definition means.
 - b. Rights of minority unions and their members are missing
 - c. There are no guidelines or information on collective bargaining process
 - d. No reference to ILO convention number 98 which is ratified by Sri Lanka
 - e. No information or guideline on industrial actions

Local Law or Code Requirement

Industrial Disputes Act (1951) Amendment (1999), Section 32A; Industrial Disputes Act (1951), Section 8(2); FLA Workplace Code (Employment Relationship Benchmarks ER.25; Freedom of Association Benchmarks FOA.5, FOA.11, and FOA.16)

FLA's Recommendations for Sustainable Improvements

1. Since the legal procedure for the 28 dismissed workers and negotiations between company management and dismissed workers and the union continues, it is not possible for the FLA to have a recommendation for immediate action on this issue. However, the FLA expects all parties to honor any court verdict and/or agreements reached between parties during this legal procedure.
2. Review existing policy and procedures on Freedom of Association to ensure they include the rights of minority unions and their

members, guidelines and information on the collective bargaining process, a reference to ILO convention No. 98 which is ratified by Sri Lanka, and a section with detailed information and guidelines on industrial actions.

3. Improve communication with both union and nonunion workers. For union workers, organize monthly meetings with the union branch members to discuss potential problems and areas for improvement. Document all meetings with meeting minutes and share the minutes with the workforce. Since a big part of the workforce consists of nonunion workers, it is equally important to provide them a communication channel with factory management. To do so, management should organize an election to let nonunion workers elect their own representatives and have meetings with them on monthly basis as they are doing with representatives of the union workers.
4. Organize and deliver trainings for both managerial staff and workers on Freedom of Association and Collective Bargaining topics. These trainings should cover ILO conventions and norms, the workplace code of conduct and benchmarks for the FLA and affiliate, local law requirements, and Industrial Actions
5. Review the internal audit system at both the group and factory level to ensure regular labor audits taken place similar to EHS audits currently conducted by local management.
6. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
7. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.
8. Post key points mentioned by company management during the town hall meeting which took place in February 2016 to ensure the messages are communicated to the workforce.
9. Factory management should make the report of the independent investigation carried out by the former judge publicly available to workers and union representatives.
10. Ensure that union representatives and elected worker representatives are actively involved in the development of policy and procedures as well as the decision making process in existing committees – such as the Health & Safety Committee and Grievance Evaluation Committee – and through the creation of other committees – such as a Disciplinary Committee.
11. Factory management should conduct surveys for both workers and managerial staff to understand their perception on specific issues like freedom of association, the performance evaluation system, Health & Safety conditions, Hours of Work, Compensation, Grievance System, worker representation, and overall worker satisfaction. Conduct these surveys on a regular basis so that company management can identify trends on these topics. As an FLA affiliate, the company can ask FLA's

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

see the previous finding

Local Law or Code Requirement

see the previous finding

Root Causes

1. Miscommunication between workers and management on compensation harmed peace in the workplace. Although management had provided letters to the workers regarding the change in the incentive system and bonuses, management should not have assumed that workers would understand this change by reading the document, as some workers are illiterate (the assessment team had to help them during the survey process), especially as this was a critical change affecting workers' incomes. Furthermore, some workers claimed that a manager told them that there would not be any changes and they would receive the same bonus of LKR 3,199 (USD 21.07), an amount written on the factory building (on the wall in the motorbike parking area), which confused workers. The manager in question has been transferred to another factory in the same supplier group and assessment team did not have a chance to interview him to understand communication between workers and this manager.
2. The absence of a worker representative system within the factory kept workers from being part of the decision-making process and hindered communication between management and workers. Furthermore, it means that the union is the sole representative of the workforce in the factory, which is not accurate as a big part of the workforce consists of non-union workers even before these events occurred. Since non-union members are not represented, their concerns, ideas, and feedback were not heard by management. Eventually the union took advantage of the situation and acted as if they were representing whole workforce.
3. Involvement of the company's CSR team in this situation was ineffective as most was planned by the local management and HR department rather than the CSR team. As an FLA accredited participating supplier, the CSR team should have been more active and involved with this issue.
4. Although using a retired judge to conduct an independent investigation was a good idea, its implementation created some confusion among union representatives and workers due to tension in the workplace. Additionally, union representatives and workers knew that company management found the former judge and conducted this investigation without the presence of an independent third party verification and/or involvement of an impartial organization. The company should have reached out to the FLA when deciding to conduct the investigation to ask for support in conducting an independent investigation.
5. There is not a functioning disciplinary committee in place and therefore suspensions and/or dismissals are carried out without union and/or worker involvement. There are a number of other issues found in the existing workplace conduct and disciplinary system which

casts doubt on suspensions and dismissals.

6. There is not much awareness of FOA or CBA rights within the factory, as neither workers or managerial staff have received specific or ongoing trainings on this topic. Existing FOA policy and procedures are not totally in line with either the company's or the FLA Code requirements.

7. The factory does not have an effective internal audit mechanism on labor related issues. Local management has conducted many EHS audits since the incident but for labor.

8. Regular overtime work is a problem which violates the FLA Code and benchmark requirements, in addition to negatively impacting workers.

9. Assessors and management received frequent complaints regarding the existing performance evaluation system. This system should be analyzed by an impartial organization and the necessary revisions made. Numerous workers were doing catch up work, working off-the-clock, even during the assessment. It is not acceptable to include OT work in the performance evaluation system.

10. During conversations with management, it was observed that most of them still blame the union (CMU) for their uncooperative behavior, the slowdown, and the unrest that followed. There is no proof of union's involvement in the slowdown; on contrary, they have refused those claims in writing on their communication with management. Even if the union was involved in industrial action, managers should act in a professional manner in light of proven facts rather than allegations. Communication and bargaining with unions should transcend personal matters and must be based on the principle of good faith. Because CMU has members in at least two of Polytex factories and may reach the 40% CBA threshold for starting the collective bargaining process, dialogue with the union is a necessity.

Recommendations for Immediate Action

1. The assessment team has gathered all the information about the slowdown that had transpired before wage negotiations earlier this year that resulted in a number of disciplinary inquiries and eventually several dismissals. As an initial observation, the assessment team identified some communication problems and worker representation related issues as the underlying reasons. The full assessment report includes an analysis of the situation and detailed conclusions and recommendations. In the meantime, factory management must keep communication channels open with the existing union and intensify its efforts in establishing a representation system for non-union member workers and provide them a communication channel with management through elected worker representatives.

2. Inform the FLA regarding labor rights issues and serious work accidents (e.g., fire, explosions, environmental issues) as soon as possible. The FLA did not received any information regarding this issue before the assessment.

FINDING NO.9

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. The procedure for Workplace Conduct & Discipline does not have steps for a system of progressive discipline.

2. There is no worker or union involvement in the development of policy and procedures or in the decision making process of disciplinary actions. ER.25

3. The Workplace Conduct & Discipline policy does not have a clear definition of gross misconduct or define the penalties for different kind of violations.

4. The imposition of disciplinary actions or appeals to disciplinary actions are not witnessed by a third party.

5. The factory's disciplinary policy allows a monetary fine of up to 5% of the worker's earning (5.5.PTX.06.03.09 – 3.9.2 (iii)); however, no such practice was observed or reported.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25 and ER.27)

Root Causes

1. There is no union and/or worker representative participation into policy and procedure development and decision making process on some key issues like the Grievance System or Health, Safety & Environment, or Workplace Conduct & Discipline.

2. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.

3. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.

4. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.

5. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Workplace Conduct & Disciplinary policy and procedure was in 2014. It is not clear what revisions were made as the revisions were not recorded

FLA's Recommendations for Sustainable Improvements

1. Include union and elected worker representatives in the development of policy and procedure as well as the decision making process of disciplinary actions by forming a disciplinary committee where management and workers are equally represented. Ensure the committee sanctions all disciplinary actions by democratic vote.
2. Revise the existing disciplinary procedure manual (5.5.PTX.06.00.00) to ensure that gross misconduct and penalties to be implemented for different kind of violations clearly described and include third parties as witnesses to the imposition and appeal process of disciplinary actions.
3. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
4. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
5. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1.
To solve and address findings related to grievance procedure
Details

Planned Completion Date
09/05/18

Action plan status: Scheduled

Planned completion date: 08/31/18

FINDING NO.10

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. There is no worker or union involvement in the development of policy and procedure or in the evaluation and decision making process of grievances.
2. There is not a complaint channel at the supplier-group's level for workers to file their grievances when local resources exhausted.
3. Although there is a section in the factory's Grievance Procedures Manual for protecting workers against potential retaliation when filing grievances, it is not clear what kind of safeguards are in place and how exactly workers will be protected.

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.25)

Root Causes

1. There is no union and/or worker representative participation into policy and procedure development and decision making process on some key issues like the Grievance System or Health, Safety & Environment, or Workplace Conduct & Discipline.
2. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.
3. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
4. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.
5. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Grievance System policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded.

FLA's Recommendations for Sustainable Improvements

1. Include union and elected worker representatives in the development of policy and procedure as well as the decision making process of the Grievance System by forming a Grievance Evaluation Committee where management and workers are equally represented. Ensure that all grievances are evaluated by this committee.
2. Revise the existing grievance procedure manual (5.5.PTX.07.00.00) to ensure it includes a group level complaint channel for workers to file their grievance when local resources are exhausted as well as clear guidelines against potential retaliation.
3. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
4. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.

5. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1. To solve and address findings related to grievance procedure
Details

Planned Completion Date
09/05/18

Action plan status: Scheduled

Planned completion date: 08/31/18

FINDING NO.11

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Environmental Protection

Finding Explanation

1. The factory does not have any written policy or procedures on Environmental Protection.
2. Although the factory has a designated area for painting, painting is not always done in the that area but rather outside; therefore, there is paint contamination outside.
3. The factory does not properly organize the hazardous waste; there is some hazardous waste in different locations around the factory which is not completely secure and protected.
4. Some nonhazardous solid waste is scattered around the factory building, and is therefore not stored in an area that is completely secure and protected.
5. The factory does not maintain any documentation on how it handles sludge from the factory's wastewater treatment system.
6. There was paper waste stored in the fabric waste storage area.
7. The factory has not conducted any energy or water audits regarding usage and efficiency.
8. The factory uses compressed air for some sewing procedures, which creates a noisy environment and wastes energy.
9. The factory leaves the lights on during the breaks. Some non-operational work stations remain illuminated at all hours.
10. Oil-contaminated water comes out of dryers, the air tank, and the compressor and directly discharges onto the ground outside.
11. The factory stores different kinds of materials in the secondary container of the generator's diesel tank (e.g., construction material and empty barrels). Some workers use this area as a temporary storage.
12. The pipes and the valves in the boiler room leak steam and are missing insulation.

Local Law or Code Requirement

National Environmental (Protection & Quality) Regulations (No. 1) (1990), Regulations 2 & 5; FLA Workplace Code (Employment Relationship Benchmark ER.1 and ER.31; Health, Safety & Environment Benchmark HSE.1, HSE.2, HSE.9, and HSE.13)

Root Causes

1. There is no active worker or union involvement with ongoing EHS efforts, including internal audits, the development of policy and procedures, and risk analysis. Although the existing Health & Safety policy and procedures manual (5.5.PTX.03.00.00) refers to equal representation in the EHS committee, only seven out of 27 members are workers while the rest are from the managerial staff (e.g., managers, supervisors, chief)
2. The factory has not conducted an environmental risk assessment.
3. There is no specific training on Health, Safety & Environment for workers or supervisors, nor is such training part of the annual training plan. The factory has not conducted a training-needs assessment. The factory does not provide any training on Environmental Protection.
4. Most of these issues have not been identified during internal or external audits in the last 12 months.
5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
6. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.

Recommendations for Immediate Action

Ensure that oil-contaminated water from the compressor, tank, and dryer does not discharge directly onto the ground outside.

FLA's Recommendations for Sustainable Improvements

1. Establish a written policy and procedures for Environmental Protection
2. Ensure that painting is always performed in the designated area and not outside.
3. Clean up the nonhazardous solid waste scattered around the factory.
4. Prepare a procedure on how to handle sludge from the wastewater treatment system and keep records of the sludge transfer.

5. Ensure that non-hazardous solid waste area is tidy and paper waste is not stored in the fabric waste storage area.
6. Conduct energy and water audits and improve amounts of energy and water used.
7. Cease the unnecessary use of compressed air in some sewing operations.
8. Prepare and implement a procedure for turning off lights during breaks and to non-operational work stations.
9. Empty the secondary container for the generator's diesel tank. Do not use this area as a temporary storage.
10. Repair the steam leak and provide insulation for pipes and valves in boiler room.
11. Conduct a training-needs assessment for EHS staff as well as union and elected worker representatives to identify specific training they should receive. Conduct a similar training-needs assessment for the whole workforce and different workers in different risk groups. Create an annual training plan response to the results from the training-needs assessments and deliver training accordingly.
12. Update risk assessment report in collaboration with the EHS committee.
13. Increase potential collaboration of different factories in different countries through HQ-level intervention to improve overall Health, Safety & Environment conditions.
14. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
15. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
16. Ensure that the following hazardous waste is properly marked and stored in the designated areas: machine oil, fluorescent tubes, printer cartridges, cooking oil, asbestos roofing material, empty chemical containers, and contaminated material.

COMPANY ACTION PLANS

1. 1.Factory has policies and procedures for environmental protection for years, please find the attachment #1.
- 2.Facility has improved designated location to carry out the painting work and avoid any environment contamination
- 3,4,6.Facility has improved a designated location to collect hazardous and non hazardous waste. All are systematically collected, recorded and disposed.
- 5.Facility shall coordinate with reputed supplier to collect sludge and dispose in environmental friendly manner. Right now use approved supplier to dispose the sludge and the agreement subject to be finalized.
- 7.Facility coordinated with an external resources to carry out professional energy audit. Present facility management record usage of water, energy and review action for reduction. In addition, facility completed Higg FEM 3.0 self-assessment.
- 8.Compressed air was used for some sewing procedures as per the product requirement before, yet facility no longer has this process, and removed the compressed air in the sewing floor.
- 10.This was rectified and constructed a gully to discharge condensed air with no environment contamination.
- 11.Facility cleared and instructed to maintain secondary containments with no other materials stored on temporary basis.
- 12.The missing insulations were fixed and covered. However facility will expect a new boiler and construct a new boiler house with adequate safety measures in future.

Planned Completion Date

07/31/18

Action plan status:	Completed
Planned completion date:	08/31/18
Progress update:	Remediation were taken as above
Completion date:	07/31/18

FINDING NO.12

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The MSDS of one chemical (Causeway Super NC Thinner) is missing. Some MSDSs only had 6 sections as opposed to 16 sections as per international standards. Some MSDSs were only in English and not in the local language.
2. The PPE that the factory has provided is not in line with the recommended PPE on the MSDSs and the risks associated with the chemicals in use.
3. The PPE does not have the international quality certification marks.
4. There are some unlabeled containers in the chemical warehouse.
5. The ventilation system in the stain removing section is not operational.
6. The factory has not conducted a volatile organic compound (VOC) measurement within the chemical use areas.
7. The factory does not have a system in place for identifying hazardous chemicals and replacing them with less hazardous alternatives (e.g. trichloroethylene and toluene)
8. There is a risk of direct exposure to asbestos due to asbestos-containing roofing material in the mechanical workshop room, carpentry, welding, canteen and warehouse building.

Local Law or Code Requirement

Factories Ordinance (1950), Section 51(1); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.7, HSE.9, HSE.10, and HSE.13)

Root Causes

1. Although the factory has a phase-out plan in place for asbestos roofing material, many areas still have this material. It is not an important violation in light of local law and many buildings also have asbestos.
2. There is no active worker or union involvement with ongoing EHS efforts, including internal audits, the development of policy and procedures, and risk analysis. Although the existing Health & Safety policy and procedures manual (5.5.PTX.03.00.00) refers to equal representation in the EHS committee, only seven out of 27 members are workers while the rest are from the managerial staff (e.g., managers, supervisors, chief)
3. The risk assessment does not include most of the serious risks within the workplace, for example asbestos sources, chemical vapors, structural safety, high-risk machinery in the mechanic workshop. Furthermore, the risk assessment was conducted by one managerial staff member rather than the EHS Committee.
4. There is no specific training on Health, Safety & Environment for workers or supervisors, nor is such training part of the annual training plan. The factory has not conducted a training-needs assessment.
5. Most of these issues have not been identified during internal or external audits within the last 12 months.
6. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
7. Although factory is a part of a big group with many factories in different countries, there are limited opportunities for collaboration between factories on labor and EHS issues.
8. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Health & Safety policy and procedures was in 2014. It is not clear what kind of revisions were made as those revisions were not recorded.

Recommendations for Immediate Action

1. Make all MSDSs available in the local language in areas where chemicals are stored and used.
2. Ensure MSDSs in the factory are in line with international standards and include all 16 of the following sections:
 1. Identification of substance/mixture and of the company/undertaking
 2. Hazards Identification
 3. Composition/information on ingredients
 4. First aid measures
 5. Firefighting measures
 6. Accidental release measures
 7. Handling and storage
 8. Exposure control/Personal protection
 9. Physical and chemical properties
 10. Stability and reactivity
 11. Toxicological information
 12. Ecological information
 13. Disposal considerations
 14. Transport information
 15. Regulatory information
 16. Other information
3. Ensure that the PPE in the areas where chemicals are used are in line with the MSDSs and therefore provide adequate protection from the risks associated with the chemicals in use.
4. Ensure that all PPE have the international quality certification marks.
5. Properly label all chemical containers within the factory.
6. Repair the ventilation system in the stain removing section and ensure it is in good working condition.
7. Conduct annual VOC measurements in the chemical use areas.
8. Ensure that areas with risks of direct exposure to asbestos are properly labeled and the necessary safety precautions are taken, including regular visual inspections and fiber analysis.
9. Implement a system to take any possible steps to replace hazardous chemicals with less hazardous alternatives.

FLA's Recommendations for Sustainable Improvements

1. Review and clear for implementation the phase-out plan for asbestos roofing material.
2. Involve the workers and union in ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Equal representation mentioned in existing Health & Safety procedure manual (5.5.PTX.03.00.00) will be provided with inclusion of union and elected worker representatives into EHS committee
3. Conduct a training-needs assessment for EHS staff as well as union and elected worker representatives to identify specific training they should receive. Conduct a similar training-needs assessment for the whole workforce and different workers in different risk groups. Create an annual training plan in light of the results from the training-needs assessments and deliver training accordingly.
4. Update risk assessment in collaboration with the EHS committee
5. Increase potential collaboration of different factories in different countries through HQ-level intervention to improve overall Health, Safety & Environment conditions.
6. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to

those currently conducted by local management for Health & Safety.

7. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.

8. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1. Facility posted the significant points translated to the user which will more caution.

2,3.Facility use basic detergents internally and all PPE's are recommended to procure to meet safety standard. However the PPE selection process will strengthen and focus safety guidance provided prior to select the PPE.

4.All chemicals were properly label complying GHS and stored.

5.The stain removing section was relocated and provided adequate ventilation. The area is more open and proper ventilated.

6.VOC test were carried out and found all parameters are within the limit. The test report is valid for one year period and facility continues the testing circle annually.

7.Facility works closely with global TDC and transformed chemical knowledge and work for reducing chemical usage and find alternatives. (ex: Trichloroethylene replaced by AC115).

8.Asbestoses procedure is in place and SOP guided maintenance to comply and do not encourage using Asbestos and highly controlled maintenance. However the main roof of production building were replaced with Zink Al sheets as a step to discourage white asbestos in use.

Planned Completion Date

10/31/18

Action plan status: In progress

Planned completion date: 08/31/18

Progress update: All remediation are taken except PPE issue.

FINDING NO.13

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The factory does not have a centralized and battery powered fire detection and alarm system in place. Not all areas are provided with a fire alarm system, for example the stain removing section and vicinity of that area, washing section and warehouse section.

Furthermore, the emergency alarm is not loud enough for all workers to hear and does not include warning lights where necessary.

2. Some electrical panels have overheated and require maintenance: the compressor room is 77 degrees Celsius; the main electrical panel of production building is 68.9 degrees Celsius; and, the electrical panel on the second floor of the production building is 73 degrees Celsius.

3. One battery powered emergency light inside rented building does not work.

4. The factory has not installed any liquefied petroleum gas (LPG) detectors in the kitchen.

5. The lamps in the chemical warehouse and paint-thinner storage area do not have protective covers.

6. Dust has accumulated on the electrical panels in the production area.

7. The factory has not updated the Means of Escape certificate since 2014.

8. In some sections of the rented building, the factory has piled carton boxes up to the ceiling.

9. The main discharge connection valve of the fire pumps was not locked in the open position.

10. The factory does not have an engineering report on structural safety on the rented building that shows the building can be used as a warehouse and office building.

11. The factory does not commission a third-party expert to conduct a fire risk assessment.

Local Law or Code Requirement

Board of Investment Labour Standards and Relations (2004), Section 6.12; Factories Ordinance (1950), Sections 13(1), 39(1), and 58B(1)(b); FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.1, HSE.4, HSE.5, and HSE.13)

Root Causes

1. There is no active worker or union involvement with ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Although the existing Health & Safety procedure manual (5.5.PTX.03.00.00) refers to equal representation in the EHS committee, only seven out of 27 members are workers while the rest of the members consist of managerial staff (e.g., manager, supervisor, chief).

2. The risk assessment does not include most of the serious risks within the workplace, for example asbestos sources, chemical vapors, structural safety, high-risk machinery in the mechanic workshop. Furthermore, the risk assessment was conducted by one managerial staff member rather than the EHS Committee.

3. There is no specific training on Health, Safety & Environment for workers or supervisors, nor is such training part of the annual training

plan. The factory has not conducted a training-needs assessment.

4. Most of these issues have not been identified during internal or external audits within the last 12 months.

5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.

6. Although factory is a part of a big group with many factories in different countries, there are limited opportunities for collaboration between factories on labor and EHS issues.

7. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revisions of the Health & Safety policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded.

Recommendations for Immediate Action

1. Provide a centralized and battery-powered fire detection and alarm system which covers all buildings within the factory compound.
2. Check and maintain overheated electrical panels in the compressor room, production building, and the second floor of the production building.
3. Replace the nonoperational battery powered emergency light in the rented building.
4. Install LPG detectors in kitchen.
5. Provide protective covers for lamps in the chemical warehouse and the paint-thinner storage area.
6. Prevent dust accumulation on the electrical panels in the production area, by changing these panels with a proper IP class alternative, providing extra isolation, and/or more frequent cleaning.
7. Obtain an updated Means of Escape certificate which covers all sections of the buildings within factory compound.
8. Define the maximum storage height for the rented building and address over stacking in this section.
9. Ensure that the main discharge connection valve of the fire pumps is locked in the open position.
10. Obtain an engineering report on structural safety for the rented building.

FLA's Recommendations for Sustainable Improvements

1. Establish and implement a procedure for regular thermal imaging of the electrical panels and installations to protect against potential overheating issues. Provide a thermal camera to the maintenance and/or EHS teams to conduct the imaging.
2. Involve the workers and union with ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Equal representation mentioned in existing Health & Safety procedure manual (5.5.PTX.03.00.00) will be provided with inclusion of union and elected worker representatives into EHS committee.
3. Conduct a training-needs assessment for EHS staff as well as union and elected worker representatives to identify specific training they should receive. Conduct a similar training-needs assessment for the whole workforce and different workers in different risk groups. Create an annual training plan as a response of the results from the training-needs assessments and deliver training accordingly.
4. Update risk assessment in collaboration with the EHS committee.
5. Increase potential collaboration of different factories in different countries through HQ-level intervention to improve overall Health, Safety & Environment conditions.
6. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
7. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
8. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1. 1,3.Automated Fire detection and alarm system were fixed covering stain removing, washing section and ware house section with adequate audible system. Right now the full facility is covered by automated fire detection system. Also facility strengthens the checking system of emergency lights and assigned a maintenance staff to perform weekly check on regular basis.
- 2,6.Facility replaced electrical panels at compressor room, production areas in 1st and 2nd floor buildings. Further facility purchased thermos meter for testing and all defect panels were replaced.
- 4.Facility installed liquefied petroleum gas detection unit at kitchen where LPG gas is been used.
- 5.Facility fixed covered type lights in side the area chemical being used.
- 7.Facility obtained means of escape certificate with updating all changes in the structure.
- 8.Stores staff were informed to pile the carton up to marked height and provided proper racking system to store cartons in a safe manner.
- 9.Facility has constructed a proper pump house and place access control mechanism to avoid unauthorized access.
- 10.Facility obtained an engineering report on structural safety on the rented building.
- 11.Facility is in process of arranging fire risk assessment using an external expert in the subject.

Planned Completion Date

09/30/18

Action plan status: In progress

Planned completion date: 08/31/18

Progress update: All remediation was taken except fire risk assessment.

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The working and maximum working pressure levels of the pressure vessels are not marked on the manometers in the compressor room.
2. Although technical staff periodically inspects the safety vents of the pressure vessels in the compressor room, these inspections are not documented and there is not a written procedure in place on how these checks are performed and recorded.
3. There is no regular inspection of the mobile compressor in use for painting.
4. Although there is an interlock device on the door of the freight elevator, the door can still be opened while it is in operation.
5. Some machines – less than 3% of the inspected machines – are missing needle guards. On less than 5% of the inspected machines, the workers have lifted up the needle guards.
6. Some compressed air hoses are not bound properly (they are currently bound with ties) with proper fittings and therefore pose a risk of breaking loose if there is physical contact and/or sudden pressure change.
7. Machine guards are missing from the saw, drill, and grinding machine in the carpentry & welding shop.
8. The factory uses compressed air (air guns) for cleaning; however, this increases the amount of dust in the air.
9. Although the factory has a procedure and implements lockout-tagout, it does not provide training to the relevant workers or have a list of machinery for which lockout-tagout is required.

Local Law or Code Requirement

Factories Ordinance (1950), Sections 19, 22(1), and 29; FLA Workplace Code (Health, Safety & Environmental Benchmarks HSE.1 and HSE.14)

Root Causes

1. There is no active worker or union involvement with ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Although the existing Health & Safety procedure manual (5.5.PTX.03.00.00) refers to equal representation in the EHS committee, only seven out of 27 members are workers while rest of them members are consisting of managerial staff (e.g., manager, supervisor, chief).
2. The risk assessment does not include most of the serious risks within the workplace, for example asbestos sources, chemical vapors, structural safety, high-risk machinery in the mechanic workshop. Furthermore, the risk assessment was conducted by one managerial staff member rather than the EHS Committee.
3. There is no specific training on Health, Safety & Environment for workers or supervisors, nor is such training part of the annual training plan. The factory has not conducted a training-needs assessment.
4. Most of these issues have not been identified during internal or external audits within the last 12 months.
5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
6. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.
7. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revisions of the Health & Safety policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded.

Recommendations for Immediate Action

1. Repair the interlock device on the freight elevator to ensure that the door cannot be opened while the elevator is in operation.
2. Immediately provide guards for all high risk machines.

FLA's Recommendations for Sustainable Improvements

1. Mark working and maximum working pressure levels of pressure vessels on the manometers in the compressor room.
2. Establish and implement a written procedure on how to regularly inspect the safety vents of the pressure vessels in the compressor room, and document these inspections.
3. Inspect annually the mobile compressor used for painting and document these inspections like those for other pressure vessels.
4. Provide training to workers on the importance of using needle guards and inspect this issue more carefully during internal EHS audits.
5. Train technicians to ensure they properly bind the compressed air hoses with proper fittings. Inspect this issue during internal EHS audits to prevent recurrence.
6. Prohibit the use of compressed air for cleaning. If it is necessary to use them in some sections, drop pressure in the air guns to two bars.
7. Involve the workers and union with ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Equal representation mentioned in existing Health & Safety procedure manual (5.5.PTX.03.00.00) will be provided with inclusion of union and elected worker representatives into EHS committee.
8. Conduct a training-needs assessment for EHS staff as well as union and elected worker representatives to identify specific training they should receive. Conduct a similar training-needs assessment for the whole workforce and different workers in different risk groups. Create an annual training plan in light of the results from the training-needs assessments and deliver training accordingly.

9. Update the risk assessment in collaboration with the EHS committee.
10. Increase potential collaboration of different factories in different countries through HQ-level intervention to improve overall Health, Safety & Environment conditions.
11. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
12. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
13. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1. 1,2.Facility marked maximum working pressure levels of the pressure vessels and manometers in the compressor room. All internal verifications are used checklist and recorded properly and review.
 - 3.The mobile compressor in use for painting was inspected by district factory engineer annually. District factory engineer will inspect the compressor used for spray painting by Sep 2018. Facility also maintains the regular records and the report for internal inspections.
 - 4.Facility made engineering improvement of freight elevator and doors cannot be opened during in operation.
 - 5.Facility CSR/Safety representative conducts regular training on machinery safety devises. Workers are educated during new comer orientation & empowered to comply machinery safety while in operation & line supervisors are advised for monitoring.
 - 6,8.Facility advised maintenance department to avoid such unsafe practice and introduce to use "end cap" or remove from the main straight connector and close the steam flow. Facility advised to use compressed air in a designated location to reduce/avoid dust circulation.
 - 7.Facility educated the maintenance team on safety application while in work and all Safety devises are reviewed and fixed providing proper guards.
 - 9.Training on lockout-tag out is conducted to electricians annually.
- Planned Completion Date
09/30/18

Action plan status: In progress

Planned completion date: 08/31/18

Progress update: All remediation was taken except mobile compressor inspection.

FINDING NO.15

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. Some sockets in the rented building, kitchen, and maintenance room are either not grounded at all or their grounding is not connected.
2. There are high grounding readings in some sections of the rented building and the production building, indicating inadequate grounding.
3. The factory does not provide a residual current device (RCD) on some panels of the rented building and the maintenance building.
4. The RCD selection in some sections of the production area are 100mA ins instead of 30mA.
5. The internal isolation of some electrical panels is problematic and the grounding connection between the covers panels are missing.
6. The factory did not select the outside electrical panels with respect to environmental conditions. As a result, the panels are rusted and are vulnerable to potential water exposure. Some also need maintenance as their internal isolation tape has worn out.
7. The electrical transformer is not totally isolated and restricted from workers' access.

Local Law or Code Requirement

Factories Ordinance (1950), Section 58B(1)(b); FLA Workplace Code (Health, Safety & Workplace Benchmark HSE.13)

Root Causes

1. There is no active worker or union involvement with ongoing EHS efforts, including internal audits, the development of policy and procedures, and risk analysis. Although the existing Health & Safety policy and procedures manual (5.5.PTX.03.00.00) refers to equal representation in the EHS committee, only seven out of 27 members are workers while the rest are from the managerial staff (e.g., managers, supervisors, chief)
2. The risk assessment does not include most of the serious risks within the workplace, for example asbestos sources, chemical vapors, structural safety, high-risk machinery in the mechanic workshop. Furthermore, the risk assessment was conducted by one managerial staff member rather than the EHS Committee.
3. There is no specific training on Health, Safety & Environment for workers or supervisors, nor is such training part of the annual training plan. The factory has not conducted a training-needs assessment.

4. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.
5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
6. Although factory is a part of a big group with many factories in different countries, there are limited opportunities for collaboration between factories on labor and EHS issues.
7. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Recruitment & Hiring policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded.

Recommendations for Immediate Action

1. Inspect and improve the grounding connections in problematic areas of the rented building, kitchen, and maintenance room.
2. Improve the grounding quality where there are high grounding readings in the rented building and production building.
3. Provide RCD protection in all sections of the rented building and maintenance building.
4. Replace the 100 mA RCDs in the electrical panels in the production area with 30mA RCDs for safety. Use 100mA RCDs (or up to 300 mA) only for the main distribution panels for fire safety purposes.
5. Maintain and isolate or replace outside electrical panels with those with proper IP ratings.

FLA's Recommendations for Sustainable Improvements

1. Periodically control internal isolation of all electrical panels to ensure there are no internal isolation problems and missing cover-body grounding connections.
2. Acquire a multifunctional electrical test equipment to conduct a loop test, RCD test, and voltage drop test, and insulation resistance tests within the factory.
3. Involve the workers and union with ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Equal representation mentioned in existing Health & Safety procedure manual (5.5.PTX.03.00.00) will be provided with inclusion of union and elected worker representatives into EHS committee.
4. Conduct a training-needs assessment for EHS staff as well as union and elected worker representatives to identify specific training they should receive. Conduct a similar training-needs assessment for the whole workforce and different workers in different risk groups. Create an annual training plan in light of the results from the training-needs assessments and deliver training accordingly.
5. Update the risk assessment in collaboration with the EHS committee.
6. Increase potential collaboration of different factories in different countries through HQ-level intervention to improve overall Health, Safety & Environment conditions.
7. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
8. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
9. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1. 1-6.Facility has purchased a grounding meter and checked electrical sockets in the rented building, kitchen and maintenance room and rectified as required and certified by chartered electrical engineer issuing electrical commission report.
- 7.The electrical transformer is physically segregated and instructed to avoid unauthorized access.

Planned Completion Date

07/31/18

Action plan status:	Completed
Planned completion date:	08/31/18
Progress update:	Remediation were taken as above
Completion date:	07/31/18

FINDING NO.16

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The drinking water cups are for common use which makes workers vulnerable to contagious diseases.
2. The factory does not label potable and non-potable water sources.
3. The factory does not provide standing workers with anti-fatigue mat.
4. The factory does not regularly test the water used in the cooling system against potential bacteria infestation, such as legionella.

5. The factory has not checked to see if there is any medicine in the medical room that must be refrigerated.

Local Law or Code Requirement

Factories Ordinance (1950), Sections 46(2), 46(9), and 49; FLA Workplace Code (Health, Safety & Environment Benchmarks HSE.17, HSE.18 and HSE.23)

Root Causes

1. There is no active worker or union involvement with ongoing EHS efforts, including internal audits, the development of policy and procedures, and risk analysis. Although the existing Health & Safety policy and procedures manual (5.5.PTX.03.00.00) refers to equal representation in the EHS committee, only seven out of 27 members are workers while the rest are from the managerial staff (e.g., managers, supervisors, chief)
2. The risk assessment does not include most of the serious risks within the workplace, for example asbestos sources, chemical vapors, structural safety, high-risk machinery in the mechanic workshop. Furthermore, the risk assessment was conducted by one managerial staff member rather than the EHS Committee.
3. There is no specific training on Health, Safety & Environment for workers or supervisors, nor is such training part of the annual training plan. The factory has not conducted a training-needs assessment.
4. The factory does not have an effective internal audit system in place. Although the factory has conducted internal audits, they could not provide any audit reports for the last 12 months. Furthermore, internal audits focused more on issues regarding Health & Safety and does not cover issues related to labor.
5. The factory management does not know much about FLA benchmark requirements as they have not received specific training on the FLA Code and benchmarks.
6. Although the factory is a part of a group of factories in different countries owned by a single supplier, there are limited opportunities for collaboration between factories on labor and EHS issues.
7. The factory does not have a defined period to review and revise the internal policy and procedures. Therefore, the existing policies and procedures are only reviewed when there is a change in local legislation. The last revision of the Recruitment & Hiring policy and procedures was in 2014. It is not clear what revisions were made as the revisions were not recorded.

FLA's Recommendations for Sustainable Improvements

1. Ensure that drinking water cups are not commonly used by workers. Provide workers with a clean cup every time.
2. Label potable and non-potable water sources as such.
3. Provide anti-fatigue mats for all standing workers.
4. Establish and implement a regular inspection procedure for the water used in the cooling system against potential bacteria infestation.
5. Conduct a quick assessment to ensure that all medicine in the workplace health unit can be kept at room temperature, as it is currently.
6. Involve the workers and union with ongoing EHS efforts, including internal audits, the development of policy and procedure, and risk analysis. Equal representation mentioned in existing Health & Safety procedure manual (5.5.PTX.03.00.00) will be provided with inclusion of union and elected worker representatives into EHS committee.
7. Conduct a training-needs assessment for EHS staff as well as union and elected worker representatives to identify specific training they should receive. Conduct a similar training-needs assessment for the whole workforce and different workers in different risk groups. Create an annual training plan in light of the results from the training-needs assessments and deliver training accordingly.
8. Update the risk assessment in collaboration with the EHS committee.
9. Increase potential collaboration of different factories in different countries through HQ-level intervention to improve overall Health, Safety & Environment conditions.
10. Review the internal audit system in place – at both the group and factory level – to ensure periodic labor audits take place similar to those currently conducted by local management for Health & Safety.
11. Consult with the FLA and organize joint training sessions for managerial staff to raise awareness of the FLA Code and benchmark requirements.
12. Create and implement a procedure to regularly review all internal policies and procedures without waiting for a change in legislation.

COMPANY ACTION PLANS

1. 1.2.Facility segregated drinking water and hand washing water even the same quality of water provided to avoid contaminations. Further facility were provided two water filters with hot water facility.
- 3.Facility provided anti-fatigue mats for each worker perform standing operations, and the worker given a break after work of 4 hours for refreshing and taking rest.
- 4.Facility test drinking water and waste water monthly and ensure the quality is with in permissible levels. Use same drinking water line for the cooling system and the tested parameters including microbiological, led and chemicals every month.
- 5.Medical center provided a proper refrigerator and instructed to store medicines follow up with suitable temperature level

Planned Completion Date

07/31/18

Action plan status:	Completed
Planned completion date:	08/31/18
Progress update:	Remediation was taken as above.
Completion date:	07/31/18